

Date: April 3, 2007

Memorandum

To: Contracting Officer

From: Contracting Officer's Representative

Reference: National Park, Contract No. 1443Cxxxxxxxxxx, PMIS 006215 & 16396, Inn & Avvex Rehabilitation and Visitor Center

Subject: Record of Negotiations with Contractor, Modification No. 5

Discussions and negotiations on liability insurance and allowance for safety and small tools were held between January 23, 2007 and March 8, 2007.

On January 23, 2007 a list of items for discussions was prepared concerning proposals submitted by the contractor. Items included labor burden percentage of 75 percent, labor hours (2-3 times government estimate), small tools (3%) and safety (2%) applied to all labor costs in addition to field overhead, verification of Washington State B & O tax rate, Pierce County sales tax, and verification of insurance costs.

Mr. Durk Kieppert, Kieppert Builders, Inc. provided labor burden breakdown for carpenters on January 23, 2007. The breakdown included Union benefits which were verified by Shelly Winters, DSC-CS, through a call to the union hall. Mr. Kieppert also provided a document entitled USAE Seattle District, Northwest Area Office, Guidelines for Pricing Modifications. The document was submitted to show rates of 2% for safety and 3% for small tools and consumables. The contents were discussed and it was explained that different government agencies handle mark-ups and allowances differently. NPS will negotiate items so that costs associated with modification work are fair and reasonable. The contractor was asked to justify their liability insurance of \$6.00 per man-hour.

An email from the contractor explained that the \$6/hr liability insurance was a worst-case based on yearly projections of the contractors total labor costs. Actual insurance costs are determined at the end of each year after an audit is performed by their insurer. The contractor was asked to provide historical information on liability insurance. On February 22, 2007 we received the information requested for the years of 2003, 2004, and 2005. The trend showed insurance costs decreasing with an increase in yearly labor hours as opposed to the justification for the contractor's worst-case project of \$6/hr.

Additional discussions were held and backup information exchanged via email between February 22, 2007 and March 8, 2007 concerning insurance, safety and small tools (copies of emails are attached). A conference call was held on March 8, 2007 with Mr. Cledus Money and Durk Kieppert representing Kieppert Builders, Inc., Morey Coin representing CM-FFA, Shelly Winters, Rod Scome, Larry Deal, and Brian Lip representing NPS to try to reach agreement on remaining items concerning mark-ups and allowances. The contractor stated that they do not

code individual safety items and small tool costs – they use one cost code and that attendance at tool box safety meetings and safety training are included in the percentage for safety not just safety equipment (hard hats, vests, harnesses, goggles, etc.). Costs were look at during the months of December, January, and February when approximately 80 percent of the construction effort was modification work. Mr. Durk Kieppert stated that safety costs (material, labor, equipment) totaled 8.3 percent of the contractor’s expenses over the span of the three month period. Mr. Cledus Money stated that the government estimates for labor were all production related and did not time for safety meetings, training, etc.

On March 8, 2007 percentages and application of percentages was reached for mark-ups. Small tools and safety percentages would not total more than 4.5% and that the dollar amount from these allowances would not be included in calculation of overhead and profit. In addition, small tools and safety percentage would apply only to modifications that have a high carpentry component. Liability insurance was established at a rate of \$2.00 per man-hour in lieu of the \$6.00 shown in the contractor provided labor burden breakdown for carpenters (email dated January 23, 2007).

Bid Item No. 1, 2, and 6 – Concrete Made by Volumetric Batching

This modification to original bid items 1, 2, and 6 adds an additional specification dealing with cast-in-place concrete using volumetric mixers. This method of concrete batching was first discussed during competitive range discussions prior to award of the construction contract. Concerns were raised about the cost for Redi-mix concrete and quality of concrete delivered to the remote site. It was agreed that volumetric batching would be considered if it could be shown that the quality of the concrete could be maintained. To date all of the concrete testing of the volumetric batched concrete has been shown to meet the original concrete specifications. The addition of the new specification formalizes the concrete batching method between the government and the contractor and establishes quality control requirements set forth by ACI and ASTM standards. The contractor has provided correspondence stating that the volumetric concrete batching method is at no additional cost to the government.

Total Add Bid Item No. 1, 2, and 6	\$0.00
------------------------------------	--------

New Bid Item No. 13 – East Wing Shoring (RFP No. PI-01)

The contractor increased total labor by 92 hours to keep the original schedule. Shoring required completion prior to lifting operation on the critical path. Liability insurance was stated as a man-hour cost was reduced from \$6.00 per hour to \$2.00 per hour. Small tools and safety were changed to reflect negotiated percentages of 1.5% and 3% respectively. Washington State Business and Occupations Tax was added to the contractor’s proposal. The contractor deleted overhead and profit for this modification work. The changes resulted in a final negotiated amount of \$42,290.70 which was agreed to by all parties with no additional time.

Total Add New Bid Item No. 13	\$42,290.70
-------------------------------	-------------

New Bid Item No. 14 – Lobby Ceiling (RFP No. PI-05)

The contractor reduced total labor by 13 hours. Liability insurance was stated as a man-hour cost was reduced from \$6.00 per hour to \$2.00 per hour. Labor was reduced to \$4,321.97. Small tools and safety were changed to reflect negotiated percentages of 1.5% and 3% respectively. Washington State Business and Occupations Tax was added to the contractor's proposal. The changes resulted in a final negotiated amount of \$6,487.01 which was agreed to by all parties with no additional time.

Total Add New Bid Item No. 14 \$6,487.01

New Bid Item No. 15 – Fire Sprinkler Leak (RFP No. PI-11)

The contractor submitted a revised proposal to include Washington State Business and Occupations Tax. The changes resulted in a final negotiated amount of \$1,152.46 which was agreed to by all parties with no additional time.

Total Add New Bid Item No. 15 \$1,152.46

New Bid Item No. 16 – East Wing Floor – Ceiling Framing (RFP No. PI-12Rev)

The contractor reduced total labor by 482 hours. Liability insurance was stated as a man-hour cost was reduced from \$6.00 per hour to \$2.00 per hour. Labor was reduced to \$160,780.88 from \$209,546.64. Overtime is being used to meet the original completion schedule for the Dis Inn. The extensive structure deficiencies interfere with the start and completion of original contract work. The originally request of 60 additional contract days was eliminated upon mutual agreement with the inclusion of overtime. Overtime was reduced from \$19,038.00 to \$8,859.28. Equipment costs were reduced from \$4,100 to \$2,600. Subcontractor costs were revised after scope of work discussions. Corona Steel was reduced from \$29,649 to \$9,649 and fire watch costs were reduced a total of \$16,000. Small tools and safety were changed to reflect negotiated percentages of 1.5% and 3% respectively. Washington State Business and Occupations Tax was added to the contractor's proposal. The changes resulted in a final negotiated amount of \$353,995.04 which was agreed to by all parties with no additional time.

Total Add New Bid Item No. 16 \$353,995.04

New Bid Item No. 17 – East Wing Structural Issues (RFP No. PI-14)

The contractor reduced total labor by 218 hours. Liability insurance was stated as a man-hour cost was reduced from \$6.00 per hour to \$2.00 per hour. Labor was reduced from \$120,663.02 to \$95,836.65. Overtime premium was reduced from \$10,946.00 to \$5,273.09. Overtime is being used to meet the original completion schedule for the Inn. The extensive structure deficiencies interfere with the start and completion of original contract work. Materials Small tools and safety were changed to reflect negotiated percentages of 1.5% and 3% respectively. Washington State Business and Occupations Tax was added to the contractor's proposal. The

changes resulted in a final negotiated amount of \$147,768.16 which was agreed to by all parties with no additional time.

Total Add New Bid Item No. 17 \$147,768.16

New Bid Item No. 18 – East Wing Corridor Ceiling (RFP No. PI-18)

Liability insurance was stated as a man-hour cost was reduced from \$6.00 per hour to \$2.00 per hour. Labor was reduced from \$31,233.32 to \$27,902.52. Overtime premium was reduced from \$2,832 to \$1,535. Overtime is being used to meet the original completion schedule for the Inn. The extensive structure deficiencies interfere with the start and completion of original contract work. The originally request of 20 additional contract days was eliminated upon mutual agreement with the inclusion of overtime. Materials Small tools and safety were changed to reflect negotiated percentages of 1.5% and 3% respectively. Washington State Business and Occupations Tax was added to the contractor's proposal. The changes resulted in a final negotiated amount of \$45,553.27 which was agreed to by all parties with no additional time.

Total Add New Bid Item No. 18 \$45,553.27

New Bid Item No. 19 – VC Type "D" Footings (RFP No. VC-08)

The contractor reduced the hours for excavation equipment, however added concrete pump rental (a legitimate cost). Operator hours were reduced to reflect the change in excavation equipment usage. Liability insurance was stated as a man-hour cost was reduced from \$6.00 per hour to \$2.00 per hour. The reduction resulted in \$963.01 for labor costs. Concrete material costs were reduced and small tools and safety were changed to reflect negotiated percentages. Washington State Business and Occupations Tax was added to the contractor's proposal. The changes resulted in a final negotiated amount of \$3,328.66 which was agreed to by all parties with no additional time.

Total Add New Bid Item No. 19 \$3,328.66

All prices discussed for this modification are fair and reasonable. I, therefore, recommend approval of this modification.

CM Representative

I recommend approval of this modification.

Contracting Officer's Representative